

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Income Statements For The Nine Months Ended 30 September 2007 - Unaudited

	Note	Individual Period		Cumulative Period	
		3 months ended		9 months ended	
		30.9.2007 RM'000	30.9.2006 RM'000	30.9.2007 RM'000	30.9.2006 RM'000
Revenue	9	22,810	30,832	57,368	71,529
Cost of sales		(17,399)	(25,187)	(45,926)	(59,294)
Gross profit		5,411	5,645	11,442	12,235
Other income		319	195	880	2,257
Operating expenses		(2,761)	(2,267)	(9,939)	(5,809)
Operating profit	9	2,969	3,573	2,383	8,683
Finance costs		(11)	(12)	(35)	(37)
Profit before taxation		2,958	3,561	2,348	8,646
Taxation	20	(755)	(566)	(1,119)	(1,802)
Profit for the period		2,203	2,995	1,229	6,844
Attributable to:					
Shareholders of the Company		2,221	3,076	1,224	7,052
Minority interest		(18)	(81)	5	(208)
Profit for the period		2,203	2,995	1,229	6,844
Basic earnings per share attributable to shareholders of the Company	28	0.80	1.18	0.45	2.69

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 30 September 2007 - Unaudited

	Note	<u>Unaudited</u> As at 30.9.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	102,414	95,078
Prepaid lease payments		4,329	26,734
Goodwill	12	4,932	853
		<hr/>	<hr/>
		111,675	122,665
		<hr/>	<hr/>
Current assets			
Inventories		12,090	9,726
Property development costs		53,337	61,610
Receivables, deposits and prepayments		43,355	33,766
Tax recoverable		2,977	2,907
Deposits with licensed banks		22,292	10,680
Cash and bank balances		1,141	14,047
		<hr/>	<hr/>
		135,192	132,736
		<hr/>	<hr/>
TOTAL ASSETS		<hr/> <hr/> 246,867	<hr/> <hr/> 255,401
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		139,357	130,847
Share premium		1,281	608
Treasury shares		-	-
Revaluation reserve		572	572
Currency translation reserve		35	(20)
Retained profits		53,037	51,813
		<hr/>	<hr/>
		194,282	183,820
Minority interest		<hr/> 3,211	<hr/> 3,206
		<hr/>	<hr/>
Total equity		<hr/> 197,493	<hr/> 187,026

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Balance Sheet As at 30 September 2007 - Unaudited (Continued)

		<u>Unaudited</u> As at 30.9.2007 RM'000	<u>Audited</u> As at 31.12.2006 RM'000
Non-current liabilities			
Borrowings	24	1,200	267
Deferred tax liabilities		20,448	22,311
		<hr/> 21,648	<hr/> 22,578
Current liabilities			
Payables and accruals		24,317	42,418
Borrowings	24	2,342	2,540
Provision for taxation		1,067	839
		<hr/> 27,726	<hr/> 45,797
Total liabilities		<hr/> 49,374	<hr/> 68,375
TOTAL EQUITY AND LIABILITIES		<hr/> <hr/> 246,867	<hr/> <hr/> 255,401

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Nine Months Ended 30 September 2007 - Unaudited

	Attributable to shareholders of the Company						Total	Minority interest	Total equity
	Share capital	Share premium	Revaluation reserve	Currency translation reserve	Negative goodwill on consolidation	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2006:									
- as previously reported	130,847	608	572	-	1,400	41,313	174,740	3,229	177,969
- effect of adopting FRS 3	-	-	-	-	(1,400)	1,400	-	-	-
- as restated	130,847	608	572	-	-	42,713	174,740	3,229	177,969
Profit/(Loss) for the period	-	-	-	-	-	7,052	7,052	(208)	6,844
Dividend paid by a subsidiary company	-	-	-	-	-	-	-	(20)	(20)
At 30 September 2006	130,847	608	572	-	-	49,765	181,792	3,001	184,793

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Condensed Consolidated Statement Of Changes In Equity For The Nine Months Ended 30 September 2007 - Unaudited (Continued)

Note	Attributable to shareholders of the Company							Minority interest	Total equity
	Share capital	Share premium	Treasury shares	Revaluation reserve	Currency translation reserve	Retained profits	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
At 1 January 2007	130,847	608	-	572	(20)	51,813	183,820	3,206	187,026
Group currency translation differences	-	-	-	-	55	-	55	-	55
Net gains not recognised in income statement	-	-	-	-	55	-	55	-	55
Profit for the period	-	-	-	-	-	1,224	1,224	5	1,229
Issue of shares arising from conversion of warrants	7	8,510	-	-	-	-	8,510	-	8,510
Treasury shares:									
Purchased	7	-	-	(3,726)	-	-	(3,726)	-	(3,726)
Sold	7	-	673	3,726	-	-	4,399	-	4,399
At 30 September 2007	139,357	1,281	-	572	35	53,037	194,282	3,211	197,493

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

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Condensed Consolidated Cash Flow Statement For The Nine Months Ended 30 September 2007 - Unaudited

	Cumulative Period	
	9 months ended 30.9.2007 RM'000	30.9.2006 RM'000
Net cash from operating activities	(11,444)	14,974
Net cash used in investing activities	1,179	661
Net cash used in financing activities	9,118	(81)
Net (decrease)/increase in cash and cash equivalents	(1,147)	15,554
Cash and cash equivalents at beginning of financial period	22,168	16,044
Currency translation differences	52	-
Cash and cash equivalents at end of financial period	21,073	31,598
Cash and cash equivalents comprise:		
Deposits with licensed banks	22,292	12,754
Cash and bank balances	1,141	18,949
Bank overdrafts	(2,252)	-
Less: Deposits pledged to licensed bank	21,181	31,703
	(108)	(105)
	21,073	31,598

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report

1. Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad, including compliance with Financial Reporting Standard (FRS) 134₂₀₀₄, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (MASB).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for the accounting policy change as set out in Note 2.

The preparation of an interim financial report in conformity with FRS 134₂₀₀₄, *Interim Financial Reporting*, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2006. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2006.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2006 except for the adoption of FRS 124, *Related Party Disclosures*, which is effective for financial periods beginning on or after 1 October 2006.

The Group has applied this standard from the financial period beginning on 1 January 2007 and the adoption of FRS 124 does not have any significant financial impact on the Group.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2006 was not qualified.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

4. Comments about Seasonal or Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors during the quarter under review.

5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial period-to-date, except for the change in accounting policy as disclosed in Note 2.

6. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

7. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the financial period-to-date except for the following:

- During the three months ended 30 June 2007, the Company increased its issued and paid-up ordinary share capital from 261,694,800 to 278,714,144 by the issue of 17,019,344 ordinary shares of RM0.50 each at par for cash, pursuant to the conversion of 17,019,344 Warrants 1999/2007 (“Warrants”) at an exercise price of RM0.50 each. The new ordinary shares issued during the quarter ranked pari passu in all respects with the existing ordinary shares of the Company.
- The remaining unexercised Warrants of 78,285,856 expired on 16 April 2007 and became null and void, and was removed from the official list of Bursa Securities with effect from 16 April 2007.
- In the financial year ended 31 December 2006, the shareholders of the Company gave their approval for the Company’s plan to repurchase its own ordinary shares. During the six months ended 30 June 2007, the Company repurchased 7,968,900 of its issued ordinary shares from the open market at an average price of RM0.46 per share. The total consideration paid for the repurchase including transaction costs was RM3,726,000 and this was financed by internally generated funds. As at 30 June 2007, all the treasury shares of 7,968,900 had been sold in the open market at an average price of RM0.56 per share and the total consideration received from the sale after transaction costs amounted to RM4,399,000.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

8. Dividends Paid

No dividend was paid in the current financial period-to-date.

9. Segmental Information

The Company's primary format for reporting segment information is business segments.

	Cumulative Period	
	9 months ended 30.9.2007 RM'000	30.9.2006 RM'000
Segment Revenue		
Revenue from:		
Manufacturing	55,628	47,390
Property development and management	1,899	24,425
Trading, services and others	-	-
	<hr/>	<hr/>
Total revenue including inter-segment revenue	57,527	71,815
Elimination of inter-segment revenue	(159)	(286)
	<hr/>	<hr/>
Revenue from external customers	57,368	71,529
	<hr/> <hr/>	<hr/> <hr/>
Segment Results (External)		
Results from:		
Manufacturing	3,096	5,755
Property development and management	(722)	2,511
Trading, services and others	9	(103)
	<hr/>	<hr/>
Unallocated income	2,383	8,163
	<hr/>	<hr/>
Operating profit	2,383	8,683
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HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

10. Property, Plant and Equipment

(a) *Acquisitions and disposals*

During the nine months ended 30 September 2007, the Group acquired items of property, plant and equipment with a cost of RM12,357,000 (nine months ended 30 September 2006: RM5,297,000). Items of property, plant and equipment with a net book value of RM Nil were disposed of during the nine months ended 30 September 2007 (nine months ended 30 September 2006: RM5,058,000), resulting in a gain on disposal of RM115,000 (nine months ended 30 September 2006: gain on disposal of RM1,735,000).

(b) *Valuation*

The valuations of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

11. Subsequent Events

There were no material events subsequent to the end of the financial period-to-date.

12. Goodwill

	Year-To- Date
	9 months ended 30.9.2007 RM'000
<u>Cost</u>	
At 1 January 2007	853
Additions	4,079
At 30 September 2007	4,932

The positive goodwill of Pembinaan Laksamana Sdn. Bhd. ("PLSB") and the negative goodwill of T.G. Industrial Park Sdn. Bhd. ("TGIP") and Tour Haven Sdn. Bhd. ("TH") were offset when the companies were acquired. However, the disposal of TGIP and TH has resulted in the positive goodwill of PLSB surfacing. The positive goodwill was never recognised as a deduction from equity and in accordance with FRS 3, the positive goodwill shall be recognised as asset and shall be tested for impairment annually.

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Notes To The Interim Financial Report (Continued)

13. Changes in Composition of the Group

Disposal of subsidiary companies

As disclosed in Note 23, the Group completed its disposal of its 100% equity interest in T.G. Industrial Park Sdn. Bhd. (“TGIP”) and its 100% equity interest in Tour Haven Sdn. Bhd. (“TH”) during the current financial period-to-date.

The disposals had the following effects on the financial position of the Group as at the end of the financial period-to-date:

	RM'000
Prepaid lease payments	22,265
Other receivables and deposits	976
Cash and bank balances	3
Other payables and accruals	(4,033)
Deferred tax liabilities	(2,059)
	<hr/>
Net assets disposed of	17,152
Attributable negative goodwill	(4,079)
	<hr/>
Total disposal proceeds settled by cash	13,073
	<hr/>
	(12,423)
	<hr/>
Loss on disposal to the Group	650
	<hr/> <hr/>
<u>Cash inflow arising on disposals:</u>	
Cash consideration	12,423
Cash and cash equivalents of subsidiary companies disposed of	(3)
	<hr/>
Net cash inflow of the Group	12,420
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Notes To The Interim Financial Report (Continued)

14. Changes in Contingent Liabilities or Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2006.

15. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial report as at 30 September 2007 is as follows:

	RM'000
Authorised by the Directors and contracted for	7,040
Authorised by the Directors but not contracted for	-
	<hr/>
	7,040
	<hr/> <hr/>

16. Performance Review

The revenue and profit before tax recorded by the Group for the financial period-to-date was RM57.368 million and RM2.348 million respectively.

This represented a decrease of RM14.161 million in revenue or 20% lower than the revenue for the same period in the previous financial year. The decrease was primarily due to lower revenue generated by the property development division.

For the cumulative nine months ended 30 September 2007, the decrease in profit before tax was RM6.298 million or 73% lower than the profit for the same period in the previous financial year. The decrease in profit before tax was largely due to losses arising from the disposal of subsidiary companies in the property development division together with the lower revenue generated by that division. In addition, the profit from manufacturing division reduced significantly due to the higher initial operating expenses incurred by the new start-up in Suzhou, China.

17. Variation of Results Against Preceding Quarter

The revenue and profit before tax for the current quarter were RM22.810 million and RM2.958 million respectively compared to revenue of RM20.550 million and loss before tax of RM1.113 million for the immediate preceding quarter. The much improved results in the current quarter was mainly contributed by the manufacturing division.

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(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

18. Current Year Prospects

The Board of Directors is optimistic that the Group will continue to achieve positive results for the coming quarter barring any unforeseen circumstances.

19. Profit Forecast or Profit Guarantee

The Company did not issue any profit forecast or profit guarantee.

20. Taxation

	Current Quarter	Year-To- Date
	3 months ended 30.9.2007 RM'000	9 months ended 30.9.2007 RM'000
Current tax - Malaysian Tax	584	923
Deferred tax	171	196
Total	755	1,119

The effective tax rate for the current quarter was lower than the statutory tax rate principally due to certain income not subject to tax. The effective tax rate for the financial period-to-date was higher than the statutory tax rate principally due to the losses of certain subsidiary companies which cannot be set off against the taxable profits made by other subsidiary companies, and losses arising from the disposal of subsidiary companies and certain expenses which are not deductible for tax purposes.

21. Sale of Unquoted Investments and Properties

There was no sale of unquoted investments and/or properties for the quarter under review and financial period-to-date.

HIL INDUSTRIES BERHAD

(Company No: 8812-M)

Notes To The Interim Financial Report (Continued)

22. Quoted Securities

There was no purchase or disposal of quoted securities for the quarter under review and financial period-to-date.

23. Status of Corporate Proposals

The following are the status of corporate proposals completed as at the date of this interim financial report:

- (a) Proposed disposal of 2 ordinary shares of RM1.00 each representing the entire equity interest in T.G. Industrial Park Sdn. Bhd., a wholly-owned subsidiary company, to Pembinaan Kesentosaan Sdn. Bhd. for a total cash consideration of RM8,933,000 (“Proposed Disposal of TGIP Shares”); and
- (b) Proposed disposal of 5 ordinary shares of RM1.00 each representing the entire equity interest in Tour Haven Sdn. Bhd., a wholly-owned subsidiary company, to Pembinaan Kesentosaan Sdn. Bhd. for a total cash consideration of RM3,490,000 (“Proposed Disposal of TH Shares”).

The Proposed Disposal of TGIP Shares and the Proposed Disposal of TH Shares were approved by the Company’s shareholders on 12 May 2005 and were completed on 27 April 2007 and 3 April 2007 respectively.

24. Borrowings

	As at 30.9.2007 RM’000	As at 31.12.2006 RM’000
Non-current		
– Secured	1,200	267
	<hr/>	
Current		
– Secured	90	87
– Unsecured	2,252	2,453
	<hr/>	
	2,342	2,540
	<hr/>	
	3,542	2,807
	<hr/> <hr/>	

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

25. Off Balance Sheet Financial Instruments

As at the reporting date, the Group does not have any off balance sheet financial instruments.

26. Material Litigation

As at the reporting date, there was no material litigation against the Group.

27. Dividend Payable

No dividend has been declared for the financial period ended 30 September 2007.

28. Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Individual Period		Cumulative Period	
	3 months ended 30.9.2007	30.9.2006	9 months ended 30.9.2007	30.9.2006
Profit for the period (RM'000)	2,203	2,995	1,229	6,844
Less: Amount attributable to minority interest (RM'000)	18	81	(5)	208
Profit for the period attributable to shareholders of the Company (RM'000)	2,221	3,076	1,224	7,052
Weighted average number of ordinary shares in issue ('000)	278,714	261,695	272,507	261,695
Basic earnings per share (sen)	0.80	1.18	0.45	2.69

Diluted earnings per share is no longer calculated as there are no dilutive potential ordinary shares pursuant to the expiry of the Warrants as disclosed in Note 7.

HIL INDUSTRIES BERHAD

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Notes To The Interim Financial Report (Continued)

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 November 2007.